COMMITTEE WORKSHOP

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	
Informational Proceeding and Preparation of the 2005 Integrated Energy Policy Report	Docket No. 04-IEP-01
Re: Proposal to Assess Electricity Supply, Resource, and Bulk Transmission Planning and Related Data Needs	

CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

THURSDAY, NOVEMBER 18, 2004

9:13 A.M.

Reported by:
Peter Petty
Contract No. 150-04-002

COMMISSIONERS PRESENT

John Geesman, Presiding Member

James Boyd, Associate Member

ADVISORS PRESENT

Melissa Jones

Michael Smith

STAFF and CONTRACTORS PRESENT

Kevin Kennedy

Mike Jaske

Judy Grau

David Vidaver

Mark Hesters

ALSO PRESENT

Paul Clanon
California Public Utilities Commission

Jim Detmers
California Independent System Operator

Stephen St. Marie
California Public Utilities Commission

Alvin Pak
Sempra Energy Global Enterprises

Norman Plotkin
Alliance for Retail Energy Markets
Plotkin Government Relations

Scott Hauchois
California Office of Ratepayer Advocates

ALSO PRESENT

Stuart R. Hemphill
Southern California Edison Company

Kenneth E. Abreu
Calpine Corporation

Greg Blue
Dynegy (via teleconference)

Karen Lindh
Lindh & Associates
California Manufacturers and Technology
Association

John Galloway
Union of Concerned Scientists (via teleconference)

I N D E X

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P R O C E E D I N G S

9:09 a.m.

PRESIDING MEMBER GEESMAN: I'm John Geesman, the Commission's Presiding Member of its 2005 Integrated Energy Policy Report Committee. To my right is Commissioner Jim Boyd, the Associate Member of the Committee. To his right is his Advisor, Mike Smith. To my left, my Advisor Melissa Jones.

This is really the launch of the core activity in the electricity portion of the 2005 Energy Report cycle. Our focus today is to determine the data that will be needed for us and other stakeholders to perform their tasks in this cycle.

Staff has circulated its recommendations as to how we should proceed and put that in the form of a white paper which I understand has struck some of you as provocative. I hope that's the case and that we have a full exchange of viewpoints today.

I'd emphasize this is an iterative process. I won't say we're making it up as we go along because we've done this before, but it's been a long number of years since we've performed

this task on a regular basis. The 2003 report was assembled with only half of the time the Legislature had envisioned being available in subsequent years. The 2005 cycle is the first time that we will have actually taken the full amount of time with the full amount of resources that the Legislature envisioned in SB-1389 would be used to perform these evaluations.

So, I invite your comments. Look forward to hearing them. Commissioner Boyd.

COMMISSIONER BOYD: I think you covered the subject adequately. I would just echo the reference to provocative. I don't think we need to -- I don't think we ever mean to alienate anybody but I think on this subject if we don't stir the pot and put some provoking and provocative issues out on the table we don't intend to make any progress. And I think a lot of people out there are anxious to see progress.

So, I do agree with you. I hope we have a very fruitful and complete discussion of all the issues today so we can move the ball down the field a little bit further. So, let's get with it. Thank you.

PRESIDING MEMBER GEESMAN: Kevin, the

ball is yours.

MR. KENNEDY: Thank you, Commissioners. Let's see if I can get the lighting right on this. My name is Kevin Kennedy, and I am the program manager for the Energy Commission Staff for the 2005 Integrated Energy Policy Report.

I want to just do a little bit to set the stage today; give an overview of where we're going in the workshop; the main points that we're going to try to cover. I'll be talking a little bit about the broad purpose of the Energy Report and state energy policy.

Mike Jaske will be giving a brief chronology of some of the planning coordination steps that have already taken place over the last few years, and providing an overview of staff's proposal for integrating what we're doing with what's going on elsewhere in the state.

We'll also have a brief overview of staff's proposal for implementing the newly required strategic transmission plan that the Energy Commission will be completing as part of this cycle.

As part of the comments and discussion we will also have comments from most likely Paul

Clanon, I believe, from the PUC; and also from Jim Detmers of the California ISO. And then we'll open up that part of the discussion for general comment and discussion from anyone who is interested.

My expectation is that that will pretty much take most of the morning. And probably will leave us at something like a pretty good break for lunch. But we'll play the timing by ear depending on how extensive the discussion and comment is as we move forward. We may end up taking an earlier or later lunch break in order to accommodate that.

The second portion of the workshop will be intended to provide a clearer picture of some of the specific data needs that Energy Commission Staff believe we need to be receiving into this proceeding to handle the sorts of analysis and integrated work that we are talking about in the morning, both in terms of the electricity supply side and the transmission data needs. And then again there'll be opportunity for comment and discussion on those matters.

So that's the general schedule for the day. I'd also like to point out, welcome everyone who is here, and also welcome folks who are

listening in on the webcast.

We are also getting up a call-in number so that anyone who is not able to participate in person, if you have comments and questions you'll be able to call in. I will give that number out at the end of my presentation.

We had a bit of a mix-up on the timing of the start of that. So the call-in number is actually not available yet, so I don't want to give it out quite yet. But at the end of my presentation we'll get that hooked up.

In terms of the purpose of the Integrated Energy Policy Report there's two major pieces that are major goals of the report. One is for an integrated energy policy development for the state.

As the legislation says, the Integrated Energy Policy Report shall present policy recommendations based on an in-depth and integrated analysis of the most current and pressing energy issues facing the state.

We see this as a mandate for the Energy Commission to conduct a very open proceeding that provides opportunity for all of the interested parties in the state to participate, bring your

information and views to the table.

But also puts an expectation on us at the Energy Commission to make sure that we're looking very broadly at, you know, all of the issues and not sort of limiting what we're doing to certain parties or certain players, but trying to make sure we understand the interconnections across the different issues.

One of the other purposes of the report is the development of a common information base. The legislation speaks of insuring consistency in the underlying information that forms the foundation of energy policies and decisions affecting the state. And calls on -- a particular set of entities are called out in the legislation to carry out their energy-related duties based on that common information base.

And part of the way we view the common information base that we're trying to develop through this proceeding is that we believe that it should be useful, if we do our job correctly, for all of the players in the state, not just the particular state agencies and the ISO that are called out in the legislation. But we are very interested in making sure that other parties can

make use of this so that there is a common understanding of where the issues are and what the concerns are. So we feel that that's a very important part of the proceeding.

In order to carry out those functions we are directed to conduct assessments and forecasts. And much of what we're going to be talking about today is going to be the types of assessments and forecasts that we're expecting to conduct as part of the electricity supply and transmission planning portions of this.

And part of what I would say about that, as well, is that there's an expectation in the legislation, and we'll be talking about this in terms of the data needs that we have. We're expecting other parties to help us by providing information and assessments on key issues that are facing the state. So it's not going to be a situation of the Energy Commission Staff going back into a corner and sort of coming up with the magic answers. But we're looking for information and assessments from many parties.

I particularly want to emphasize, at the danger of being redundant, the need for a statewide coordination and evaluation as part of

this proceeding. The planning process needs to be looking throughout the state, including territories of the investor-owned utilities, the municipal utilities.

We're looking at what's going on with electricity service providers. And we also need to be integrating considerations of load growth, load management, generation planning and transmission planning. We need to be bringing all of these pieces together as we move forward in this proceeding.

A key part of that is going to be the coordination that the Energy Commission, the PUC and the ISO are working on for making sure that the important proceedings, the Energy Report proceeding here, procurement at the PUC, transmission planning are all integrated and work together in a way so that we draw on the strengths of all three organizations and that we're not, you know, creating duplicate requirements where people have to jump through multiple hoops, but rather as we move forward we're looking for this to be something that becomes a very smooth planning cycle that allows everyone to have a clear understanding of what sort of decisions are being

made where.

The Energy Report proceeding, we expect and the PUC expects, will provide important input to the next CPUC procurement proceeding. And similarly, we expect very close coordination with the Cal-ISO and the PUC moving forward on transmission planning.

We're looking to make sure that what we look at looks statewide and also looks regional. Both in terms of understanding the smaller regions within the state where there are key issues and important considerations that need to be dealt with, and also California's role in the larger westwide electricity and natural gas system.

And as I've already said, development of an integrated statewide policy definitely needs to be looking at what's going on throughout the state. Not just parties under particular jurisdiction of the PUC. We're not necessarily trying to dictate to the munis everything that they need to do down the line, but we do need to understand the role of the munis in the system and we're hoping that we're able to provide information and policy direction that will be useful to the munis going forward.

In terms of next steps, this workshop is intended to provide a clear discussion and sense of the direction that the Energy Commission, the PUC and the ISO see this coordinated planning process going on electricity and transmission planning.

We anticipate, in addition to the staff paper that we published ahead of this workshop, a second staff paper that would be much more directly focused on the question of given what we've talked about here, what are the specific data needs that we have in terms of the filings we would expect from other parties on both electricity supply and on transmission. And we're hoping to put that second white paper out during the week of November 29th.

Then during the week of December 6th we would be looking to put out specific forms and instructions that would detail what information and in what format we would be asking for information from the different parties. That is something that would be put out as an initial staff proposal.

We have a workshop scheduled for December 21st; it hasn't been noticed yet. But

the notice should be going out before too much longer on that. But we're also trying to get up on our website, and we may have up already, but will have shortly in any case, a fairly comprehensive list. We're expecting a large number of workshops on the overall Energy Report proceeding during the month of December and going forward.

So we're going to try to keep a forward-looking list of the anticipated workshops so that folks know what's coming up ahead of seeing the formal notices. But that workshop is scheduled at this point for December 21st. And our expectation would be that the forms and instructions, based on the input we get at the workshop on the 21st and on any written comments, we will revise them as necessary and then would expect to have them considered for adoption at the Commission's business meeting on January 19th.

So those are the next steps from here. And what I would like to do at this point actually is take a moment to first get us tied into the conference call so that folks who are listening in on the webcast, if it's either easier for you to listen in on a conference call, and certainly if

you're interested in participating and making comments as we move forward, you'll be able to tie in. So excuse me a minute while I do this, and then I will give out the number for people to call in on.

(Pause - MCI advertising blurb.)

MR. KENNEDY: Apparently the number I had is not the correct number. I think I'm going to turn the microphone at this point -- I apologize for that. I will turn things over to Mike Jaske for his presentation --

UNIDENTIFIED SPEAKER: If you would like to make a call, --

(Laughter.)

UNIDENTIFIED SPEAKER: -- please hang up and try your call again. Code --

COMMISSIONER BOYD: That's as bad as a pop-up on your computer screen. Just nothing you can do about it.

MR. KENNEDY: That's right. And, you know, I didn't even get to the point of having to warn the callers to, you know, keep the phone on mute and, you know, avoid eating lunch while they are listening, which is one of the things that happened in one of our last workshops.

So I will try to figure out what's going on with the conference call while Mike is giving his presentation. And we'll go from there and hopefully folks listening on the webcast will, before too much longer, have a way for you to connect to this meeting.

DR. JASKE: Good morning. My name is Mike Jaske. I'm in the executive office in the strategic issues integration group. And I'm going to give the first half of this presentation which will then be completed by Judy Grau.

Essentially a little chronology of how we have gotten to this stage in our planning coordination; an overview, as Kevin said, of the actual integration proposal as we understand it at this point. And then an overview of the strategic transmission planning proposal.

The effort to achieve coordination among the planning processes of the Energy Commission, PUC and ISO really got started with the efforts to draft and get SB-1389 published, or adopted. That bill became effective 1/1/2003. And, Commissioner Geesman, as you noted, we had an abbreviated period of time in that process, so the analyses conducted there were almost entirely initiated by

staff with then comments from various parties who chose to participate.

In the spring of 2003 the action plan put together by the Energy Commission, the PUC and the CPA called for using the Energy Commission's information and analyses as the foundation for planning by each of the agencies. And that's the construct in SB-1389, itself.

So later that year in the PUC's procurement proceeding the Energy Commission put forward a proposal that we called integrated planning procurement and monitoring that was accepted in a very broad overview fashion by the PUC in decision 04-01-050, which did two things.

It required the IOUs to use the 2003 IEPR results as the basecase of what was then going to be their forthcoming procurement planning filings. It also said that going forward the next cycle of procurement would follow the next IEPR, so that there would be a smoother flow-through of information from the IEPR to procurement.

Earlier this year when the 2004 procurement proceeding was organized, the Energy Commission stepped out of its role of being a party and became one of a collaborating agency. A

number of Energy Commission Staff are working actively with the PUC ALJs and Energy Division Staff in support of that proceeding, both in the direct procurement plan portion, as well as in resource adequacy.

We had our kickoff workshop in this proceeding on August 18th. And at that point stated quite directly that there should be a heavy reliance on load-serving entities for load forecast resource plans and other inputs necessary for this proceeding.

September 16th President Peevey issued his widely distributed ACR that memorializes how the 2005 IEPR, 2006 PUC procurement proceeding, and the ISO grid planning process would fit together as we were able to articulate it at that point in time.

And earlier this week Judge Brown's proposed decision in the long-term procurement plan specifically endorsed the PCACR. And should, of course, the PUC adopt that language or something similar to it, then that would state the full intentions of the PUC, itself, to move in this direction.

And so given that backdrop the staff in

this white paper has attempted to describe how it is we think that broad agreement can actually be operationalized. And our views are that reviewing LSE resource planning and its adequacy relative to some benchmark, and for the moment the 15 to 17 percent planning reserve margin adopted by the PUC seems like the reasonable one, it is the construct that we are proposing to use.

And LSE-specific analysis, I think, is turning out to be more visibly important. It has always been important, but not sufficiently well recognized because of the reliability issues that have surfaced principally in southern California, but maybe there, but less apparent, in other portions of the state.

The form of analysis that the Energy Commission Staff and the Commission, as a whole, did during the period between the Electricity Reports and the resumption of that kind of detailed assessment in the form of these energy reports tended to focus on statewide analyses, statewide tabulations of loads and resources. And we were missing out on sort of the local or regional dimensions that have proved to be important.

And, of course, we all recognize that for the municipal utilities there was really no oversight of what they were doing during that period. Some municipal utilities voluntarily released resource planning type information; a great majority do not.

The framework for resource adequacy the PUC has put forward in its procurement decision in January of this year and in the recent phase one decision last month are extremely helpful for understanding near-term reliability; focused on the year ahead and the month ahead sort of time horizons. Those are comparable to the sort of focus that the state agencies have been under and been using ever since the crisis of 2001.

But they missed the long term. And so the focus of the Energy Report process is on the long term. It is to go out ten years or so and really try to understand where we are in terms of load resource balance, what kind of aggregate resources need to be developed; how do we accommodate retirements; how do we have a coordinated planning process that relates generation and transmission. And how do we do that in a way that accommodates the preferred

resources that are commonly known as the loading order of the Energy Action Plan process.

And when SB-1565 was passed by the Legislature and signed by the Governor earlier this year, it established in a very sketchy form the notion of a strategic transmission planning process for the entire state.

So as Kevin indicated in his presentation earlier, part of what staff is putting forward here is the bringing together of not just the ISO grid planning process, but the transmission planning of the other three control areas in the state.

These points are sort of in some ways a parallel expression of what is in the attachment to the Peevey ACR. The coordination between the Energy Commission and the PUC necessitates IOUs providing the same kind of inputs into the electric Energy Report process as they put into the long-term plan process earlier this year in 2004 procurement.

And to avoid the kind of duplication that would have been the case, absent coordination, President Peevey's ACR essentially says that the load forecast resource plan and need

assessment portions of what has been undertaken in the 2003 and 2004 procurement proceedings will be done in the Energy Report. The IOUs are to provide all the inputs necessary for that to be done. And those results will be handed off from the Energy Commission to the PUC for use in the 2006 procurement proceeding.

And only to the extent that there are new facts not able to be brought into this Energy Report proceeding should those load forecasts, resource assessments and need determinations be revisited in procurement.

And as I will get into in a moment, taking that broad description of how the two processes fit together is what staff is attempting to do in one portion of the white paper. Spell out more clearly the kinds of data and the stages of the analysis that will allow that handoff to the PUC to take place.

We also, of course, require close coordination between the Energy Commission's process and that of the ISO, and the Peevey ACR includes a section that, in effect, memorializes the thinking of the staff of agencies and the ISO at that point in time. And it goes along the

lines of the Energy Commission's report would be the source of load forecasts and generation expansion plans that the ISO requires to do good transmission assessment.

We would be moving in the direction of developing disaggregated load forecasts to support transmission assessment. This is an issue that was recognized as far back as the last IEPR and its policy findings.

And with the emerging focus on deliverability as part of resource adequacy, there may be a similar or even parallel set of load forecasting disaggregation that's necessary to really understand how to do local reliability procurement activities.

And then very obviously, and to be blunt about it, the ISO needs to have some greater certainty that its grid planning process, projects it believes are necessary for reliability are actually going to become permitted. The ambiguity that has existed up to this point between the Energy Commission and the PUC about the entire transmission planning and permitting process is obviously a concern of theirs. And I think Mr. Detmers is going to speak more to that issue

later.

A theme that is very important, is broadly recognized but not yet operationally in place, is the integration of generation and transmission planning.

Many ways that this goal is subjective have been articulated in the past several years. Listed a few here. Won't get into any of their details, but frankly, we're still not there yet. And the staff's proposal is going to try to take another step forward in that direction. But I don't think we're going to get all the way there in this cycle, but we need to be figuring out both what we can do in the period of this Energy Report proceeding, the about 12 months that we have left. And then point toward how it can be done, yet better, in subsequent cycles.

Let me turn now to the specifics of how it is we understand this Energy Report process can actually implement the coordination set forth in the Peevey ACR.

We're proposing that there be three stages of resource assessment. In the first stage the LSEs would submit and staff would review resource plans and of course, load forecasts that

the Commission has already adopted forms and instructions for and scheduled a date by which they're due.

And we would be identifying the net open positions and the need for resource additions in a sort of residual net short fashion. We would be doing that in the context of an explicit recognition of uncertainty. We'd be trying to develop that recognition of uncertainty through a process that is sort of at least initially parallel to sort of the reference case resource plan.

And the result of that review and analysis plus some refreshing of any key short-run values late next summer would provide the range of need that we believe each IOU, and for that matter each LSE, needs.

And for the IOUs that then becomes the basis for the specific procurement strategies and procurement proposals that the three IOUs would put forward in the 2006 procurement process.

So that is sort of the this is what is needed; this is the gap between supply and demand; this is the nature of that gap. Is it peaking oriented, is it baseload energy oriented, is it

peaking first and then baseload further out. So that's become the foundation for trying to identify the various types of resources that best fit into and integrate with those needs.

An example of the kind of analyses that is important is as we pursue the renewables and as wind looks like a resource that is likely to be the most cost effective among the many included within the broad category of renewables, how do we deal with integration issues of wind; and how do we identify the amount of firming capacity that might be needed to go along with wind energy. And what is that kind of tradeoff that we need to understand and pursue as we rely increasingly upon renewables.

So a variety of special studies that sort of help better understand how different types of resources fit into the need of stage one.

And then finally in stage three in the staff's proposal we would be identifying how we're doing relative to the preferred resources included in the Energy Action Plan. And the subsequent actions that have been taken. For example, the PUC has adopted 2004, '5 and '6 energy efficiency targets for each of the three IOUs.

How are we doing? Do we have the kind of tracking systems and evaluation of impacts to really understand whether we're going to get the numeric goals that have been established. And if we don't, what does it take to get those systems put in place, and to insure that the information gained from them actually feeds back into the planning process.

Either resulting in a change in the plans, because it's perceived to be less cost effective or less achievable than we thought. Or to somehow or other tune up the delivery mechanism so that we can, in fact, achieve those goals.

The result of that is a set of broad statewide policy recommendations that would be the Energy Commission's preferences for both IOUs and municipals. And, of course, for the IOUs that would then go over into the PUC's procurement process for further consideration about individual IOU actions.

And with that, my portion of the presentation is complete. Judy Grau will finish this up.

MS. GRAU: Good morning, everyone. My name is Judy Grau and I'm with the Commission's

transmission evaluation program. I just want to mention first the drivers for our 2005 Energy Report transmission work, first is our first cycle of the 2003 Energy Report, the recommendations coming from that document. And then more recently our 2004 Energy Report update and its recommendations.

And both of these contain recommendations for the state to conduct a collaborative long-term statewide transmission planning process. Those of you who are familiar with the documents will see a common thread throughout both of those documents.

A third driver, as Mike Jaske mentioned, is the September 16th Commissioner Peevey Assigned Commissioner Ruling, which he's talked about in detail. And then a fourth driver, also talked about by Mike, is SB-1565 which created Public Resources Code section 25324 recently signed in September.

And so what that requires us to do is adopt a strategic transmission plan that identifies and recommends actions required to implement investments to insure reliability, relieve congestion, meet future load growth and

satisfy the state renewable portfolio standard goals.

And as we have noted in our staff white paper proposal, this plan will build in the California ISO's 2004 annual grid plan results, submittals of the load serving entities and the 2005 Energy Report record that we are establishing.

And so the goals for the transmission planning process we should note that these were first articulated in our 2003 Energy Report cycle. We continue to vet these further, and we refined them in our 2004 report cycle. So, again, this shouldn't be anything entirely new to those who have been following our proceeding.

We expect that the process will build in the ISO annual grid planning results. We would like to take a look at future corridor needs, and I'll have more about that on the next slide. We have mentioned how important we believe it is to quantify the strategic benefits of many of these transmission program projects, including the need to look at insurance premiums.

We also in the 2004 update discuss the concept of incorporating a social discount rate

into the planning and permitting decisions on the cost and benefits of these projects.

And we also noted the need to look at transmission alternatives early in the process with the hope of expediting the transmission permitting process.

And obviously if we need to provide input into the 2006 procurement process at the PUC, and we would also like to facilitate the interconnection of preferred resources, primarily renewables. And I'll have more about that on another slide, also.

And so with respect to corridors, this came out as probably one area of almost universal agreement, that with expanding growth in many areas it's getting more and more difficult to find corridors. And there's a great need to have corridors looked at in advance, and ideally banked and adopted by the state so that when those corridors are needed for a project, ultimately they are available.

And so we are investigating the concept of right-of-way banking, the state adoption of corridors and doing a program environmental impact report on important corridors.

And for corridors within state and federally controlled lands, investigate the development of a coordinated policy for designating and banking multiple use infrastructure corridors. This is especially important in the San Diego area. We heard from them about how difficult it is with all the state land to expand their system.

And then finally perform macrolevel corridor viability assessments for projects that are likely to require a certificate of public convenience and necessity in the near term.

And finally with respect to renewables, we are conducting an assessment of operational issues associated with integrating renewables into the California grid. We would like to investigate the need for modifying the ISO tariff as necessary to include transmission projects that meet RPS goals.

Right now they have reliability projects and economic projects, but there's not a specific category for such projects as RPS. And then continue our participation in the Tehachapi study group, and also participate in the newly formed Salton Sea study group.

So that concludes my presentation and I believe we are moving on to the next speaker, is that correct? Or are we taking questions at this point? I think we're moving on, okay.

MR. KENNEDY: Unless the Commissioners have questions, what I would like to do at this point is actually reattempt to establish the conference call, and then turn the matters over to the PUC and the ISO before moving to more general comments. Let's see how I do this time.

(Pause.)

MR. KENNEDY: Okay, I believe we have now succeeded in establishing the conference call. So for people who are listening on the webcast who either would find it easier to listen in on a conference call, or are interested in commenting when we open up the workshop to public comment, the phone number to dial is 1-888-995-9728. The passcode is "electricity" and the conference leader's name is Kevin Kennedy.

So, the phone number again is 1-888-995-9728. And for folks looking in on the webcast I believe one of the two ways of viewing the webcast actually lets you see the slides of the presentations. What I will do is see if we can

get that information up on a slide and sort of leave it up for much of the rest of the meeting.

But I will repeat phone numbers after we have the comments from the PUC and the ISO. And with that, I will turn it over to Paul Clanon from the PUC.

MR. CLANON: Good morning, Commissioners, and thank you for letting me speak. So as not to disappoint you, I do want to begin my presentation this morning with a highly provocative statement. And it is that I agree with every damn word that was just said by Mike and by Judy and by Kevin.

I'm going to talk a little bit this morning about collaboration, the successes that we've had in the collaboration, and the place where I think the collaboration has not achieved the success that I think it deserves. And that we, as Commissioners and as Managers at the two agencies, can work to make it happen.

I also want to mention, by the way, that the Executive Director of the PUC, Steve Larson, is here. I think he's out talking with your Executive Director, Bob Therkelsen, out there. But he's also here and endorses the comments I'm

about to make.

As you just heard in the presentations from your own staff, we've had some really major successes in collaboration among the agencies here in the last year and a half. Probably the single biggest success at the PUC level is the resource adequacy and the procurement decisions that were issued at the PUC in October, a final resource adequacy decision. And then just this week we issued a decision on the utilities' long-term procurement plans.

Those would not have happened without your staff. Those would not have happened when they did; they would not have happened with the quality that they happened without the collaborative effort of folks like Mike Jaske and Karen Griffin in your staff, and also the participation of you as Commissioners here at the Energy Commission.

I would not have said anything like that two years ago. There was no success like that that we could point to two years ago. And I look forward a year from now to having a whole list of such successes to point to. But I think we ought to, while we're developing data protocols today

and talking about future collaboration, we ought to give ourselves a little pat on the back for the successes that we've already achieved.

Let me just say a bit about what's in this procurement decision because it is an example of the sorts of coordination that we're going to need to make sure it continues to happen as smoothly as it does.

We took your load forecasts and resource forecasts from the 2003 IEPR; those were updated by the utilities. We required the investor-owned utilities to file those as basecases at the PUC. Our intention was not to relitigate what you had already decided, but to rely on the Energy Commission process and your decisionmaking as Energy Commissioners for that element of developing the long-term plans.

That worked very smoothly. The PUC has not acted finally on that decision yet, but I expect that it will December 16th. And it's a major success of the collaboration. It's again something that I couldn't have said two years ago. The PUC of two years ago probably would have tried to relitigated all that stuff. That didn't happen this time; won't happen in the future. That's the

result of the work that you've done and my Commissioners have done in directing our staffs to collaborate.

The procurement decision that was issued this week adopts the utilities' long-term procurement plants; it's base on your IEPR of last year; it adopts those utility procurement plans. It's not a statewide plan; that's your purview and not the purview of the PUC. But it's a utility-by-utility action plan to meet the loading order and to implement the Energy Action Plan.

We also, at the PUC, are highly preoccupied with rates and with cost recovery. It's an important element of what we do. It's an important element of expertise that we can offer to you in your development of statewide plans, both at the generation and transmission levels, and the other elements of the action plan.

I want to highlight those aspects in this draft decision.

Kevin, does that mean someone's dialing in or dialing out?

MR. KENNEDY: I think dialing in.

MR. CLANON: All right. The utilities are now out in the market, both Edison and PG&E

are out in the market with requests for offers for extensive amounts of capacity. As you know, the PUC, working with your staff in a collaborative process, has vastly increased the amount of utility operations and demand response and in energy efficiency over the last year and a half. Two things that would not have happened without the collaborative. Those are extended and improved in the utility long-term procurement plans we'll be adopting in December.

The draft decision that went out this week also includes as a greenhouse adder and system environmental adders to level the playing field to take into account the fact that renewables bring into the mix some benefits that utility traditional fossil plants don't. Those would not be happening, those policy initiatives would not be happening without the collaborative.

I don't want to tick off all the things that go on in that decision, but I do want to recommend it to you as an example of a great success story in the collaboration.

What does that tell us for what should happen in the next go-round. It's very clear to me that the Energy Commission, pursuing its

statutory mandate to be the statewide planning function for generation, for transmission across the board in energy, is the group that ought to be doing -- you ought to be the ones doing the statewide plan for meeting the loading order.

We have an overlap between PUC, as an implementer, and Energy Commission, as a statewide policy setter. You're clearly going to want some input from us. We're going to need input from you in our implementation of the statewide plan.

I highlight this decision that was just issued this week as an example where that has begun to work very successfully. So long as we keep up the pressure on that I think we can all expect that the old days of fighting and not collaborating are pretty much over.

I was prepared to talk a little bit about PUC President Peevey's Assigned Commissioner Ruling. I was happy to see that it was a highlight in Mr. Jaske's presentation, and also in Judy's. And I also commend that to you as an example of the sort of formal cooperation that can happen among our two agencies.

So, not only are we collaborating at the staff level, we're also doing it in public

informally. It's a message -- that ruling is a message to us; it's a message from your Commission and my Commission to the staff to work together. It's also a message from the PUC to the load-serving entities that we regulate.

The message is this: The Energy Commission IEPR process is where the action is on load forecasting, on resource forecasting, on need forecasting. The data that's being discussed in this workshop today and that will be discussed in the future workshops, you don't get to relitigate that at the PUC. This is where the action is.

And I want to make sure that the message from President Peevey and his colleagues is clear to the load-serving entities. I think it is, and I'm going to take the opportunity to highlight it today. And you'll hear me say that every time you see me get up in public here for the next few months. Commissioners Geesman and Boyd, I wouldn't have said that two years ago. Another success story.

The range of needs. Now, when the Energy Commission, through the IEPR, when you adopt for a statewide, and then utility-by-utility, a range of needs, the PUC is going to

have to rely on that for two things.

First, utility-by-utility, how much needs to be in the resource plans for the utility to acquire throughout the loading order energy efficiency all the way down to new generation and transmission. We'll need to rely on it for that.

We'll also need to rely on it for statewide guidance. Are we appropriately funding energy efficiency. Are we appropriately regarding demand response in the loading order. Are we doing what the state needs -- is the PUC doing what the state needs done to encourage the appropriate distributed generation.

The PUC will be looking to the Energy Commission to be the forum where statewide policy on those matters is worked out. I expect to have staff from the PUC here working very closely in your proceedings, both as collaborative staff and potentially in other ways, the same way that you've had staff working with my staff in the Commission in the PUC's processes, both formally and informally.

The data that's developed and the decisions made by the Energy Commission in those areas, that's where the litigation's going to

happen, that's what the PUC expects to rely on. I think that creates an obligation both on you, Commissioners at the Energy Commission, and also for me and my Commissioners at the PUC to avoid duplication.

I think it's not fair to the parties to have them answering similar, but slightly different questions in the two different forums. I think it's incumbent on us to make sure that the information that you're requesting through this process that we're working on today is the information that will be useful to the PUC, and vice versa.

And I think you've got my commitment and the commitment of my Commissioners to work with you to make sure that that happens. I'll also turn to the load-serving entities and make that same commitment to you, that that's a commitment that you can call me on. If it looks like there are two duplicative processes going on and one process at the Energy Commission or at the PUC can solve you problems in duplication pick up the phone. And that's a commitment you can expect us to act to meet.

That was the good news portion of the

presentation. Now, let's get to a place where the collaboration, I think, has not been working as well as the state deserves for us to make it work. And that's in transmission planning.

That's not been the disaster story that I think some people would like to use to drive a wedge among all the agencies, but it's not been a success story. And I don't think anyone thinks it is.

Clearly transmission planning in the state is fractionated at this moment. There are at least three different processes going on with some claim to be statewide or IOU planning on transmission. That needs to end. We need to fix that.

Our staffs, the Energy Commission Staff, the PUC Staff, and the staff at the Independent System Operator have done good work to develop some planning and coordination tools to try to make that element of planning in the state a success the same way procurement has become a success. And I think it's incumbent, Commissioner Geesman and Commissioner Boyd, on you, as Energy Commissioners, and on me and on the PUC Commissioners to make sure that our staffs bring

that to the level of decisionmaking very soon; so that you can weigh in, so the PUC decisionmakers can weigh in; so that the ISO senior managers can weigh in; so that we can have another success story very soon.

And I'd be very happy to engage with you in a discussion on what I think some realistic timeframes for that may be. And I believe Mr. Detmers also may have some ideas when he comes to speak for the Independent System Operator.

I am going to, when I'm done and when we've had the colloquy that I'm about to offer with you, Commissioners, I'm going to ask Steve St. Marie from the Commission's energy division to come up. He's got some specific comments to make on data and on the data flow and on data that would be interesting in the PUC proceeding.

So I just want to end my comments by saying I do think we need to step back. We've had some major successes here in collaboration. You heard from your staff, you're hearing now from me that the collaboration is working really excellently well on the procurement side across many areas.

I think that's not true in transmission.

I think that's a failure of my part and of other folks' part, and I think it's time to fix that. And I think the time now is to set some deadlines and bring it to the decisionmaking level at the two agencies and at the ISO, and get that done.

So I want to thank you for your time and I want to offer myself to answer questions.

COMMISSIONER GEESMAN: Paul, I would certainly thank you for your participation here today. And I look forward to the engagement of you and your staff in our efforts throughout this cycle.

We've benefitted, I think, quite a bit from Barbara Hale's contribution in the latter stages of the '03 cycle. And certainly in the 2004 update.

I wonder if it's appropriate right now for you to elaborate a bit on your thoughts as to where some of those problems in transmission planning area lie, and what might be some constructive ways to addressing them.

MR. CLANON: Our staffs, your staff and the PUC Staff and the ISO, have gotten together over the last several months at your direction and at the direction of the PUC Commissioners, and the

ISO Management to try to evaluate what those problems are.

I think some are obvious. Transmission takes a long time; it's a linear function, doing environmental reviews, getting the support of landowners along those paths is a very difficult process.

The PUC's environmental review process, similar to yours, has built into it about a year-long analysis process, most of which is public comment. And I think that that's an obligation that we have to the people of California. I don't think that we have to set, as our goal, cutting that down.

But I'll tell you where we fall down, and that's way before that. I think where we fall down is integrating IOU, investor-owned utility, planning into any sort of statewide mechanism for transmission planning that the ISO can rely on in the ISO's processes, to be actually adopted by the PUC in any kind of timely way.

It's clear that we've fallen down on the front end; and then that sets us up for criticisms of delay on the back end.

I think also that the idea that Judy

Grau of your staff has talked about, and we've had several good discussions on this, of developing statewide transmission corridors is an obviously good idea that no one has done yet. And it will obviously shave off some of that particularly front-end time from transmission planning. I think that's a clear area for cooperation going into the future.

The successes of procurement collaboration have come because of necessity. The lights went out in California three years ago. There are concerns about the lights going out in the coming years. And the agencies were forced to get together and make sure that that didn't happen.

I think that we need to have the same sense of urgency on the transmission side. I think that that sense of urgency has arrived. And I think that you'll see that our staffs can propose to us things that you, as decisionmakers, and the PUC decisionmakers, can agree on.

COMMISSIONER GEESMAN: Barbara Hale told us about a year ago, I think it was about the time we adopted the 2003 policy report, that in her view, I think it was acknowledging something that

we had pointed our in our report, that most of the economic and financial regulation of the bulk transmission system had been federalized.

Would you agree that that's a reasonable characterization of jurisdiction?

MR. CLANON: Yeah, there's no doubt that under law the Federal Energy Regulatory Commission sets the rates for wholesale transmission that's owned by the investor-owned utilities. There's a whole system of general ratecases that goes on in Washington that the PUC intervenes on behalf of the people of California to try to make sure that those rates are reasonable.

The ratemaking, though, for the transmission is not the same as siting that transmission or granting the certificates of public convenience and necessity that investor-owned utilities in California need to build transmission.

So there's still a strong PUC role, strong PUC regulatory role in making sure that IOU transmission happens.

This is all to say, by the way, and I should emphasize this, that it's extremely known at the PUC, clear to the PUC, the investor-owned

utilities are a very important part of transmission in California; they're not the only part. They may even be the majority part, but they're not the only part. And you can't do any kind of good statewide planning just at the PUC.

COMMISSIONER GEESMAN: But you see your primary focus, then, being the environmental and siting function?

MR. CLANON: That's right. And ultimately costs, both within the PUC's own certificate proceedings, and then ultimately in rate cases at the FERC. The PUC is a very cost-oriented place.

COMMISSIONER GEESMAN: Your thoughts on a deadline for trying to resolve this staff-to-staff issue?

MR. CLANON: If I were speaking to you in July I would suggest a month as a reasonable schedule. I'm a little worried, given that we're almost to Thanksgiving now. We may want to give our staffs a little more time.

But I think that a month or six weeks is a reasonable time for you to expect a report back from me, from the appropriate folks on your staff. And also I think that's an appropriate time for me

to report back to my own Commissioners. I think it does need to be at the decisionmaking level at both agencies. I think it's appropriate for you to weigh in now and to tell your staffs how to do this.

And so I propose something like six weeks or so for a report back. But I think that's negotiable.

COMMISSIONER GEESMAN: Thank you.

COMMISSIONER BOYD: Paul, it's good to see you again. I suddenly reflected on --

MR. CLANON: Commissioner Boyd, you, also.

COMMISSIONER BOYD: -- the dark dark days we worked together, both of us perhaps in different capacities. And it's really good to see you here as a major spokesperson for the PUC. I very definitely appreciate your -- and I didn't they were provocative at all -- opening words --

MR. CLANON: Can I start again?

COMMISSIONER BOYD: -- of the progress that -- I thought they were -- you saved the provocative comments for a little later. And I appreciate your public acknowledgement of the good work and collaboration and cooperation that has

been apparent to many of us over the past couple of years. And certainly look forward to that continuing to occur, particularly as we straighten out the transmission area.

I think as Commissioner Geesman said at the beginning, and we have to throw a few provocative things out on the table in order to make progress. But if I want to get in my philosophy of human behavior I think the tribes are out of the caves sitting around the bonfire most of the time now, talking about making progress. And that's good.

And I do look forward to -- see, I don't think the human species has gone very far in the last few thousand years.

(Laughter.)

COMMISSIONER BOYD: And I do look forward to us working this out. I think the Legislature spoke recently in trying to clarify some policy issues. I think the issue of recognition by all of the patchwork quilt that is the transmission system in California has to be considered as a single system if the nation-state of California is going to continue to prosper and progress, so on and so forth.

So, all I can say is I like what I've heard today and look forward to working with you and the ISO in the continuing to let's just say polish off the rough edges on a system that you've all been working to try to put into place.

And now that we pretty well have the policy issue straightened out, we can, it seems to me, pretty well work out the roles that people have to play and get on with it, to assure the public that there isn't overlap and duplication.

You meshed your fingers together there once to indicate there are overlaps. I think those are inevitable. They're almost checks and balances that are necessary in the system. And I see no problem with those kinds of issues. It assures that the gears mesh and the wheel turns successfully.

So, thanks for what you've had to say. And now we'll hear a little bit about some of the ideas you folks have.

MR. CLANON: Thank you very much, Commissioners.

MR. KENNEDY: As Paul and I were just discussing I think what we would like to do is actually move on to Jim Detmers from Cal-ISO.

Sort of keep something of the broader focus at the moment, and then come back to the more detailed discussions.

I am definitely looking forward to some of the comments and questions that Stephen St. Marie may have and many other folks.

So let me see if I can actually find where we managed to hide the ISO presentation on our computer system.

COMMISSIONER BOYD: We don't hide anymore, Kevin, that's all --

MR. KENNEDY: That's right, it's all open and --

(Pause.)

MR. DETMERS: Well, good morning and thank you very much, Commissioners. My name is Jim Detmers from the California ISO.

And just to set the record a little bit straight I'm not one of the agencies in California. I'm, in fact, the Independent System Operator in California.

But I do have to commend your staff, as well as the ISO and the PUC Staffs for working together so well on a number of different fronts. And I, as Mr. Clanon indicated, am very encouraged

by all the collaborative nature of what we've been doing on resource procurement.

It has been really really good for California to see all of the agencies coming together, working together, working on the problems that we have to deal with. The collaboration has been a success. And we all have to take credit for that. But we have a lot of challenges going forward, as well. And we must move forward.

I think if I have to have one thing that I must say is that we must figure out how to get our processes working on the transmission side. Where we stand today in moving into the summer of 2005, we not only need the transmission system and the process for building new transmission developed now, we're actually behind several years.

We have not built the transmission that's necessary. That is reflective of what we deal with on a daily basis at the ISO today.

As we completed 2004 summer operations we had about 17 different locations of congestion that we were dealing with. Those 17 congestions amount of hundreds of millions of dollars of

redispatch cost.

So I don't really think that we have a problem as far as justifying things. We have to figure out what is our plan going forward, and implement and execute on that plant. That's really where we need to head.

I am encouraged with seeing the plan come together in the IEPR that has been put out. We do have some comments on areas that do need to be corrected and worked on. We do have some differing opinions. And I do agree that our staffs need to come together to resolve those differences.

So, again, our staff went back and took a look at the IEPR, focused in on the resource assessment piece, which I think is well underway. I think that's all tremendous. And, again, I would have to agree with Mr. Clanon that saying this this year versus just two or three years ago was an impossibility. We are now actually working together.

But that shouldn't just be just the agencies and the ISO working together. We need to involve the entire industry in what we're doing. And we need to keep that door open. So, yes,

we've had some success. But, yes, we will continue to evolve this process and to make this move forward.

Where the focus of our comments are, are regarding the transmission area. We believe that, again, as what's been mentioned this morning, time and time again here, we do have duplication in our process. That needs to be one of our principles going forward. We need to reduce this duplication or eliminate this duplication.

We also have to leverage the expertise of our staffs in your area regarding load forecasting, all of the expertise that you have, all of the expertise that the ISO, as well as expertise at the PUC. We have to figure out how to streamline and expedite the overall planning process, siting, permitting and to make sure that we can actually get to the results that we need to get to. And that is to have an adequate transmission system to be able to transmit and make sure that we can reliably serve customers.

I was challenged just a few days ago when we started talking about our resource deficiencies coming into 2005, which are quite significant, especially for southern California.

And it was we were put to the challenge with is what you're dealing with another set of rotating outages. And I said no. I said I think we have a new day. And it's actually CSI.

And so the questions came back, what is CSI; is this CSI Folsom, CSI Sacramento or CSI New York. No. This is customer service interruption, it is what we want to avoid. We want to avoid that. We want to be able to get to the advantages of having an economic transmission system as well as open it up to all rational and timely solutions to be able to get resources that are required, both from a transmission aspect throughout the west and into California, as well as any alternatives internal to California, as well.

We are supportive on a number of areas. And, again, all of these have been elaborated this morning. We do have some areas that we do think the staff needs to go back and work on different areas, such as duplication, overlap. And make sure that we have the responsibilities clear.

I think we're now at a very very important juncture, both on a resource standpoint and on a transmission planning and siting and construction standpoint. And I think our staffs

can work on this.

I would propose letting the staffs take the next 30 days or 45 days to work on these plans; come back; have a process that works. It will not be the answer to solving all the world's problems, but it will be the right next steps that we need to take.

And then we take and identify certain key projects and run them through this process and make sure that we've got this right. Will we get it right the first time? Probably not. So we need to be open to redefining this process as we move forward, as well.

So, again, our staffs do have the expertise of making this happen. And I would encourage moving this forward with them, and opening this up as an overall process for the industry to deal with the problems that we're experiencing.

So, again, thank you very much; and I am very encouraged at where we're headed. Any comments?

COMMISSIONER GEESMAN: Yeah, Jim. First, obviously I want to thank you for being here today. I guess I've got a couple of

concerns, just on a generalized basis.

One, I mean I very much recognize, and as you know, spent a brief period of time on your board, that you are the Independent System Operator. And I think probably among the members of this Commission and members of the Public Utilities Commission, I think I've been a little more deferential to what I consider to be FERC's rightful authority than perhaps some of my colleagues have.

But, I think the fundamental challenge to this gubernatorial administration is going to be better integrating your entity into state government than has been the case in the past. I think the circuit court of appeal decision upholding the gubernatorial appointment authority of your board members makes very clear that your corporation is a part of state government. And ultimately that if things go wrong there are political consequences that elected leaders of state government will bear.

I also think that probably the most productive thing that I learned from the Energy Action Plan process was that even given a fairly confusing workchart that somebody else created

when they established all these different agencies, that if the appointees can be persuaded to act as if we're all part of one agency, or all part of one state government, there are a lot of things that can be accomplished, and a lot of parochialisms that can be overcome.

And I look forward in this '05 cycle to better working with the ISO and the PUC and ourselves. And I'm hopeful that the new board members that the Governor places on your board and the new management that those board members select shares that commitment. I fully expect that they will.

In looking through your comments I guess I'm a little reluctant to be too sanguine about where we are right now. I think, as reading of both our '03 report and our '04 report would suggest, we've got some fairly basic flaws in the way we permit and the way we plan for transmission infrastructure. And I think that the experiences that we had this past summer are an indicator of that.

In our '04 report we tried to identify some of the areas where we think planning criteria should be reassessed or pushed further in

different directions, and Judy's presentation summarized those pretty well.

I think if we were doing better we wouldn't be having the difficulties that we had this past summer, and we wouldn't be confronting the magnitude of challenge that we seem to be confronting in southern California this next summer.

And as a consequence I would encourage, and have encouraged our staff, but I encourage the ISO Staff and the PUC Staff to approach this as if something is wrong, and we really do need to reassess where we have not properly adapted our processes to a restructured industry, and a restructured marketplace, and a different usage of our grid than we had experienced before that restructuring took place.

I think our primary premise should be providing transmission resource adequacy. And I don't think that the persistence of the congestion that we have, or the inadequate treatment of transmission needs to accomplish our renewable policy goals, or the difficulty we've had in timely evaluating something like the Devers-Palos Verde II project, suggests that any of this is

working right right now.

So, I apologize for that sermon. I certainly welcome your spirit of cooperation, but I do think that it would be wrong to take from our experience a message of sanguineness.

MR. DETMERS: Well, I would agree with you. I didn't hear the question in what you were questioning there, but --

(Laughter.)

MR. DETMERS: -- I do agree with you that we do have some very significant problems and very significant challenges. But what I'm indicating is I don't think that it's insurmountable.

I think we can take this on. I think our staffs, all the Commissions, the ISO, its board, its management are all committed to making sure that we can work through this. But, again, I don't think this is a hill that we can't overcome.

I think we're there. I think we all recognize the deficiencies on the transmission system are, in fact, going to cause us very significant problems going forward unless we can get beyond the impasse that we're sitting at right now.

And we have to get a transmission system that is, in fact, adequate. So whether we call this transmission resource adequacy, or transmission adequacy, we can call it any of those provided we can get to the end result and the end game, which is recognizing this new system that we're dealing with, the open system that we're dealing with. Open to the whole western U.S. The grid is open today, and it's been open for seven years. So power flows are not going to be the consistent power flow from a generator to all of the load in California. It can actually go outside of California, as well.

And so we need to recognize all of those challenges and get on with it. And I would agree, we all need to work together on this problem. And I think that's where we're at.

COMMISSIONER GEESMAN: Well, and I would certainly share your commitment to eliminating duplication and overlap in our processes where we can. And hopefully that'll be the direction that Commissioner Boyd and I are able to provide to our staffs in trying to work out some of these coordination questions over the next 30 days.

MR. DETMERS: Sounds great.

COMMISSIONER GEESMAN: Commissioner Boyd.

COMMISSIONER BOYD: Jim, good to see you again. You, too, are a veteran of the dark dark days. I look around the room and I see Paul and Steve and Bob Therkelsen and you and I, and even Robin, once in awhile, and a few other folks who spent a lot of time sitting around tables.

I will say there were a few times when the ISO's chair was empty because of this, well, we're not a state agency, we're a creature created by the state. I used to call you a crown corporation, therefore. But that was then, and now is now. And I think we've moved a long ways.

See, the public, they don't understand the difference between, you know, you're a state-chartered agency, but you're not a state agency. And we are, and et cetera, et cetera. So they just expect all us power people to work together and get the job done.

And I think what I'm hearing today is, you know, we've turned the corner. Yeah, there's some things to work out and there's some different points of view. There have been court and legislative policy directions, and now I think

have cleared all the hurdles out of the road.

And I would agree with Commissioner Geesman that he, perhaps, was one of the few people who was a little more farsighted in terms of the role of the ISO. But I agree, it's a western grid; I agree that you're a huge player in the system. And I join you in saying let's get on with the job and get it done. There's too many other hurdles -- I mean we have to take a huge system's view of what this thing is, the generation and how you provide the generation and the transmission links and all the other modern, 21st century technology we can apply to the issue.

So, in the spirit of moving on, thanks for being here. And as we do charge the staffs to sit down and get the task done, hopefully they will respond to that 21st century view of things and we'll get on with it. So, thanks.

MR. DETMERS: Thank you very much.

MR. KENNEDY: At this point, Stephen, I don't know if you want to move on to your questions and comments at this point, or -- Stephen St. Marie with the PUC.

While Stephen's coming up here let me just remind folks on the webcast if you are

interested in dialing in to be able to make a comment at the meeting, the call-in number if 1-888-995-9728. The passcode is electricity. And the conference leader's name is Kevin Kennedy.

DR. ST. MARIE: Good morning, Commissioners, and good morning, others. My name is Steve St. Marie. I work in the energy division of the California Public Utilities Commission.

I'm picking up where Paul left off with more specific comments about the kinds of information that the CPUC will require in order to be able to work effectively on the LSE, the load-serving entities' long-term plans and specific procurement authorities that they require from the CPUC in order to move forward with their work.

I have six areas to speak about and in each case our requests are very general and I'm sure they will become more specific later. But at this time these are general areas that we need to understand and to be able to work with data effectively on.

Number one is we will need to see statistics on loads and on energy, that is loads being done in megawatts, units of power, and energy in gigawatt hours, units of energy. This

includes estimates of the loads of the LSEs, the loads that the LSEs will need to support in the future, and the quantities of electric energy to be provided.

We would like to see central estimates as well as some knowledge about the statistical distributions around those estimates. We need to look at annual numbers, at the very least. And we think that seasonal numbers would be helpful; and perhaps in some cases, monthly numbers will be helpful, as well. That's very general, as you can see.

Okay, number two. We will need to see statistics and information on the types of resources that need to be or are going to be added to the system over the years. What types of resources and the amount of each type that the utilities and the other LSEs plan to add to the system, and that they plan to call upon for both capacity support and for energy supply in the future.

A third area is cost information. What will the total costs be, and what will the unit costs be. What will these things cost per amount of extra capacity or energy that they provide, or

that they end up consuming.

We need to see estimates of overall costs and unit costs of the utilities' plans. And we need to have, again, some knowledge about the distribution, the statistical distribution around those central estimates of costs.

How do changes in the plans affect those estimates is a subcategory in there. If the utilities and the other LSEs have different ideas of how to go forward we will need to see how those impact the estimates of the costs.

A fourth area is information showing whether the loading order is being observed. Whether the resources, the IOUs and other load-serving entities are planning on -- planning to rely on will meet the criteria laid out in the Energy Action Plan, and in various CPUC decisions and other legislative requirements, including the requirements for renewable generation, demand response, et cetera.

The fifth area is information on planning methods regarding what we are referring to these days as bottom-up planning. California should be confident that load-serving entities are using proper planning methods, including planning

from the bottom up; this is planning to insure the appropriateness of the plans overall, as opposed to checking off boxes or just starting from the top.

And finally, the sixth area is we need to have clarity regarding what is confidential and what is the public status of information. The CPUC, the California ISO and the Energy Commission must work with a clear sense of what is confidential and what is public. Whatever is considered public in the IEPR process should not be filed as section 583 protected material in the CPUC's procurement process, or in any other CPUC docket.

So those are the areas where we have been able to determine what our needs are. And, of course, as you can see, those are very general statements. We don't have specific statements at this time.

COMMISSIONER GEESMAN: Steve, on the confidentiality question it seems to me we have probably three different sets of legal requirements that each need to be satisfied.

DR. ST. MARIE: Yes, I believe that's correct.

COMMISSIONER GEESMAN: And my guess is that there's a reverberation between the three of us in terms of in some areas that entity which is the least demanding of confidentiality probably trumps the other two. And in other areas, that entity that is the most demanding of confidentiality probably trumps the other two.

DR. ST. MARIE: Well, I guess what you're saying is correct. There are two sort of overriding principles. One is that we favor transparency, openness and an ability for all parties and practitioners in this business to be able to have the information they need in order to go forward.

At the same time there is a general feeling that certain types of information could be used against the public to raise costs or to place bottlenecks in the path of forward-looking system for moving forward in the future.

COMMISSIONER GEESMAN: Okay.

MR. KENNEDY: Thank you.

DR. ST. MARIE: Thank you.

DR. JASKE: Mike Jaske, CEC Staff. In listening to Steve's list of six items, three things come to mind. One is that the traditional

focus of the Energy Commission is the weakest on substantive areas here, not counting confidentiality, on cost.

As we have been thinking about how to configure our process to best serve the PUC's needs, I think in fact it is going to be very important for the PUC, perhaps for ORA, for other traditional intervenors in the PUC processes who have, as the bottomline perspective that they're expressing, the cost perspective, the cost containment, the cost allocation, for that to factor into our process in some way.

That is a voice, a dialect of, you know, planning that we don't commonly hear and that we need to figure out how to get that into our process.

We've had some very preliminary discussions about the PUC's intervenor compensation funding process that has allowed entities like TURN or others to participate actively, to pursue, you know, a particular, in fact the cost perspective. We at the Energy Commission don't have a comparable process. So how can those interest groups get themselves equipped to participate in a meaningful way.

That's a challenge we have in front of us.

Cost also, I think, will ultimately be one of those factors that leads to the distinction between the broad policy recommendations that we can make in the Energy Report process in the specific procurement decisions that the PUC makes for an individual IOU.

There's, I don't think, any way that we can get into cost at the level of detail that ultimately, you know, the rubber meets the road in telling a particular IOU to go this far in pursuing energy efficiency, or that far in pursing demand response, or whatever the particular is.

So, I think that's partly behind the description of the third stage of the resource assessment process in the staff's white paper. And as I presented this morning, that says our recommendations are at this broader level, and that it's a handoff to the PUC to then take that and work with IOUs to get, you know, the specifics in procurement for 2006.

COMMISSIONER GEESMAN: Is there cost information in their dockets at the PUC that we can make use of rather than attempting to recreate it, or reformat it in our docket?

DR. JASKE: Perhaps, to some extent. The closer you get to costs and to examining the specifics of what the reality of resources procured through contract are, the closer you get into confidentiality and the cloak of all of that over what has been filed in the long-term plan process.

COMMISSIONER GEESMAN: What about something like energy efficiency? Can we simply defer to information developed in their docket rather than relitigating it here?

DR. JASKE: I would think that that would be very sensible. And there is a filling that has been made about the middle of last month on demand response looking toward 2005, '6, '7 programs that may well also be the source of much cost information there.

A second reaction I had was to Steve's emphasis on, he used the sort of formal terminology of central tendency and sort of statistical variation around that. I have my doubts that we are going to be able, in this process, to handle uncertainty in that rigorously formal kind of a fashion.

But it is our absolute intent to try to

deal with uncertainty; to characterize what are the risks of pursuing, you know, different courses of action. Or things that are just intrinsic to the planning process. No one knows for sure what economic demographic growth is going to be.

And then there are the imponderables of legislative action encore that, you know, are not statistically analyzable.

How it is we will actually do that we're not sure. And as I said earlier today, and I believe Dave Vidaver will emphasize this afternoon, we're planning on trying to get a whole sort of subprocess going to work with the parties, the LSEs who are going to file, to figure out what can actually be done with characterizing the certainty and impacts on the key need and resource choice questions.

And finally, confidentiality. I guess I almost would like to react to one reaction you had, Commissioner Geesman. And that is, as I understand at least the law established by SB-1389, a better way to characterize confidentiality is whatever agency first gets it and declares it to be confidential becomes the rule by which it's continued to be treated confidential by others.

That's certainly the case for us. So, for example, is the PUC determines something to be confidential, we may receive it and use it in that fashion. We may not divulge it. The discretion to do that, the process for people to apply for and ask that that be done would be entirely at the PUC.

I believe that also applies to data originally determined to be confidential by the ISO.

That was a change made by SB-1389 that, in some respects, narrowed the Energy Commission's discretion. The parties were worried that because our confidentiality process is -- where we were the originator more open, that our rules would apply to data obtained from another agency. So when 1389 was crafted it, in effect, took the appearance of some discretion away from the Energy Commission.

How then we actually solve confidentiality is a much more difficult challenge. I just wanted to make that one correction.

So I think largely we're on the same wave length and we have a number, as Steve is

alluding to, details yet to follow to work all this through.

MR. KENNEDY: Commissioners, unless you have any further questions at the moment I would open it up to the floor. I didn't see any blue cards, per se, but I suspect there are a fair number of folks in the audience who are in speaking.

So, there are a number of microphones available. Probably for folks without presentations the easiest thing to do is to go up to the podium.

MR. PAK: Thank you, Commissioner. For the record, my name is Al Pak and I represent Sempra Energy Global Enterprises.

By way of introduction, the global enterprise's business units of Sempra Energy are essentially the non-utility businesses of the company. The subtext for that is that my views do not necessarily reflect the views of San Diego Gas and Electric or Southern California Gas. I know they're represented here, so if anything I say is offensive to them my remarks may not actually represent the ultimate views of Sempra Energy, either.

(Laughter.)

MR. PAK: I wanted to rise on behalf of Sempra Energy Solutions, which is our non-utility load-serving entity participating in the retail market.

And I wanted to suggest a second approach to the study that's going to be taken on in this IEPR process with respect to determining the supply/demand balance in the state for electricity.

Just as a matter of background, Sempra Energy Solutions, depending on whether you use a measure of peak demand, total load served, or annual load served, has on and off again been the largest non-utility LSE operating in the State of California over the past two or three years.

And essentially the way the market has evolved, our product is a contract. It is a contract for sale of on-demand electricity at a price, under certain terms and conditions, and price is frankly the most important, if not the only important term that our customers care about.

So in this world we have now a world of commiditized energy; extremely low margin; almost zero differentiation between the competitors and

even lower customer loyalties when you talk about selling this product.

Our products are resourced through inter-mediation markets and wholesale markets, both in financial and physical terms. We don't do resource planning at Solutions the way that our utility sisters do it. What we do is figure out what our expected customer base is going to be, what their total loads and requirements will be; and we place those requirements in the market represented by contracts.

And the instrument that we have typically relied upon, and it's one that the CPUC has spent a good deal of time with in their recent long-term procurement proceeding, has become known as the intracontrol area contract bearing liquidated damages provisions.

So, one of the things that I would hope that this Commission would do in studying supply/demand balance over the next few years, and you can use the experience of our market over the past couple of years, is a study of that intermediation function and the depth of the wholesale markets, the benefits of that, the advantages and disadvantages of relying on that marketplace to

meet the resource needs of the state; the failings that we've seen over the past couple of years in that market.

But more importantly, as you review how that market has worked, how it has evolved, we would really like this Commission to take a hard look at how to improve the liquidity and transparency that exist in that market, so that we can develop those markets to serve the kinds of policy goals that have been expressed in the first IEPR, and probably will come out of this process.

We have spent a lot of time at the PUC on what that would look like in terms of developing a capacity market, tradeable capacity products, including things associated with a WREGIS-based renewables trading market so that we can meet our obligations under the CPUC's orders and state legislation regarding the state renewable portfolio standard.

We think that if you look at these market instruments and the intermediation markets we think that they can serve the same ends as the kinds of things that the staff is apparently contemplating in asking the LSEs to bear, essentially the non-utility LSEs to bear sort of

the same obligations that our vertically integrated utility sisters do. That is planning, resource acquisition, posting up of our loads and matching that up against physical resources that we may own, operate or contract for.

We think that these market instruments can ultimately serve the same policy objectives, such as meeting the requirements under the Energy Action Plan's loading order. And more recently we're seeing a trend, both at this Commission and at the PUC, on trying to achieve greenhouse gas emission reductions.

We think that all of these instruments can be shaped, either under legislation or under policy guidance from the IEPR to meet those objectives. We think that you can do things to improve the liquidity of those markets.

And if they have that potential then we think ultimately that the state can meet the supply/demand balance plus reserves that you're looking for, and that we've seen come out of the orders of both this Commission and the Public Utilities Commission.

So, just a suggestion that you not focus solely on LSEs, particularly the non-utility LSEs,

which aren't set up to participate in the kind of study, I think, that's being contemplated here to date.

And with that, if you have any questions, I'd be happy to answer them.

COMMISSIONER GEESMAN: I think you make a very good point. And it's one that we may want to revisit in a separate workshop further into the cycle.

As it relates to capacity markets, is your end of Sempra's position any different than that that San Diego Gas and Electric has put forward formally?

MR. PAK: I do believe that our utilities are supporting the development of a tradeable capacity --

COMMISSIONER GEESMAN: Yes, they are.

MR. PAK: -- product. We may have internal disputes regarding the precise nature of the products and the structure of the market, --

COMMISSIONER GEESMAN: Okay.

MR. PAK: -- but I think we're all sort of headed down that road. Your staff has been very supportive of all the concepts that Sempra has put forward in the workshops at the PUC. The

problem we are now running into is that as the PUC addresses the myriad issues in the procurement case, we're sort of seeing the capacity market and the development of the program for trading sort of pushed off to --

COMMISSIONER GEESMAN: Yeah.

MR. PAK: -- what's now known as second generation with no real start date in sight for developing that market.

COMMISSIONER GEESMAN: We may be able to provide some assistance in that area in this cycle.

MR. PAK: Great, thank you.

COMMISSIONER GEESMAN: Thank you.

MR. KENNEDY: Any other commenters? Actually, I'd also like to remind commenters to identify yourself for the record. I know Al did, and the court reporter always appreciates business cards when you have them available. Makes his job easier.

MR. PLOTKIN: Commissioners, Norm Plotkin, representing the Alliance for Retail Energy Markets, of which Sempra Energy Solutions is a member, and unfortunately we didn't coordinate.

But I'd like to just follow up. I had a list of items that I was going to share specifics about the ten-year resource plan and how it doesn't work. But I don't think I was nearly as eloquent as Al's disclaimer at the beginning.

So I would just like to -- we'll file formal comments on this proceeding, but also would like to follow up with you, Commissioner Geesman, on the prospect of a separate workshop, because the one-size-fits-all approach doesn't quite capture the differences that, you know, reflect our different business model than the utilities. And so we will file the comments and then perhaps I can follow up with you on a separate workshop.

COMMISSIONER GEESMAN: Yeah, I think we should do that.

MR. PLOTKIN: Thanks.

COMMISSIONER GEESMAN: Any other comments? Scott?

MR. HAUCHOIS: Good morning, Commissioner Geesman, Commissioner Boyd. I'm Scott Hauchois of the Office of Ratepayer Advocates. We're pleased to be planning to participate in this process for the first time, I think, in about 14 years. Back in the old BRPU

days.

And I think we are prepared to specifically think about what some of the rate implications of California's energy policies may be.

I'd like to give you just a couple of perspectives in just the way we've been thinking about it. If you just start with the premise that California right now does have among the highest rates in the country. Some of those being still in the aftermath of the crisis.

You can also look at the Energy Action Plan and the initiatives that are underway by the CEC, the PUC and the ISO, and realize what we have is multiple initiatives going on across the board from distributed generation to energy efficiency to certain types of interruptible programs, demand response, conventional utility plans, renewables, and these all operate under I would say mixed and disparate incentive structures.

And whether I would -- they could be a challenge for anybody right now to really understand the total cost of all this. And I'm not suggesting that these are not cost effective on the whole, meaning if we didn't do them we'd

have even higher rates.

But I doubt if anybody's really conscious of the impact of the aggregate of all these measures has on ratepayers. Are we really headed towards, you know, perpetually higher rates as we, you know, we all endorse building more and more infrastructure. But we're also realizing that in just for example in the deployment of renewables, we have considerable system integration issues. When we talk about accelerating renewables, we're going to have more system integration issues, need more transmission; to some extent create more headaches for the ISO in integrating intermittent renewables. So, we will try to provide some perspective on all of these things.

In the other comment I wanted to make is a lot has been said today about transmission. I mean I fully endorse the collaborative approach that the agencies are trying to take, as well as get a grip on transmission.

It's interesting, though, that when we talk about it and, Commissioner Geesman, you mentioned the Devers-Palos Verde line, these large scale, high voltage lines, you know, do sometimes

have a problem with really having net benefits. They usually involve massive transfer payments because there can be big losers in the building of high voltage lines. And there could be big winners. Whether, on balance, the economics come out can be a real question.

And so this sort of inter-regional, inter-area or interstate sharing of costs and benefits of these lines, I think, is a big issue that has not gotten enough attention. And when I think Paul Clanon mentioned the PUC going to FERC and intervening in transmission rate cases, yeah, you're looking at the overall costs, but I think where you run into problems is FERC rate design and the way these benefits and costs are allocated are things much in need of improvement.

And I would hope that in this sort of collaborative approach that we get more attention paid to transmission ratemaking and how these costs and benefits are allocated. I think you can get some better answers and possibly run into less resistance from groups such as ours when it comes to siting these lines.

So, in any case, another member of our staff, who I'm not sure if he's here, but Bob

Kinosian will probably be the sort of point person for ORA in this process. But we plan to offer up some of our resource planning people, transmission people, and put in our best effort.

Thank you very much.

COMMISSIONER GEESMAN: Well, thank you, Scott. And I certainly look forward to your involvement in this cycle. I expect it's likely to be the source of a fair number of sparks.

(Laughter.)

COMMISSIONER GEESMAN: My own view is that ORA has been the de facto transmission planner and transmission permitter in the state for the last five or ten years. And I think, as a consequence, bears a fair amount of responsibility for some of the difficulties that we find ourselves in.

I'd invite you to have your staff try to identify for us some of the big losers in the projects that have actually been approved over say the last 20 years. The perspective I would bring to the process initially, and I'm happy to be disabused of it, over the course of the cycle, but transmission represents, I think, 5 or 6 or 7 percent of the average customer's bill in

California.

The last Administration, during a particular precarious point in time, I know that the Governor's Office adopted a zero tolerance policy toward rate increases, and tried to hold the line on electricity rate increases. But wasn't able to do anything at all about gas price increases that were directly passed through to the customer.

Somehow that wasn't characterized as a rate increase and was seen as not a problem. I think the public reacted in the same way as it would have to what was formally designated a rate increase.

And I would hope that as ORA makes its contributions to our effort in this cycle, that that perspective in terms of impact on the ratepaying public, whether an increase is characterized as a rate increase or simply a fuel-cost pass-through, be kept in perspective. And also the relative contribution of transmission to the average customer's bill.

I think it will be an exciting process to look forward to.

We had somebody over here that --

MR. HEMPHILL: Good morning, Mr. Geesman and Mr. Boyd -- I appreciate -- Commissioners Geesman and Boyd, I appreciate the opportunity to speak today and I look forward to participating in the Integrated Energy Policy Report process and proceeding that goes on at the Energy Commission.

My name is Stuart Hemphill; I'm the Director of Resource Planning for Southern California Edison. I have three points that I wanted to talk to you about today, most of which have already been covered, and I appreciate that.

The first is transmission. And I wanted to mention and support the comments of both Paul Clanon and Jim Detmers on the process and the next steps that they suggested. I think that's a good approach, that we should make sure that we're planning and we have appropriate roles and responsibilities at the front end. And a 30- to 45-day timeframe to evaluate that seems like an appropriate thing to do. And I just want to express Edison's support for that process and however that plays out.

The second point is confidentiality. And I wanted to also point to what Mike Jaske said and I appreciate his comments there. Any efforts

that we can put in on the front end to assure that the agencies are coordinating amongst confidentiality would be time well spent.

The PUC has been through this process several times, and they've taken a reasoned approach. I think they also have an investigation that's upcoming. And I just would want to echo that, you know, whatever agency -- that all agencies have the same common agreement about what is confidential and what isn't.

As a practical business matter it's a challenge if you're playing in a poker game and you have to play with your cards face up when everybody else can hold theirs. And that's the major concern as being a large load-serving entity in California.

The third issue is equality among load-serving entities. And that is both in data requirements and in policies. I think that's an appropriate thing for the state to consider, amongst all the different agencies, to insure that no one load-serving entity is given any preference or has any edge over any others in terms of the policies ultimately adopted by the state, or just participating in the processes.

So those are the three areas where I was looking to make sure you understand our point of view. And if you have any questions I'll be glad to answer them.

COMMISSIONER GEESMAN: Thank you very much. Other comments?

MR. ABREU: Ken Abreu from Calpine. I'd just like to make a couple of comments here. One of our issues that we'd like to see dug into a bit more, as a generator, not as a load-serving entity, is the issue of confidentiality.

As a generator, like a lot of the other generators, we are not part of a central planning system, but we do have to business plan. We have to decide where do we want to allocate our development resources; where do we want to invest in permitting power plants, which is a long, time-consuming process.

And out of the last process that wound up coming out of the CPUC in the long-term plan there was a lot of redacted information that really limits the ability of a generator to really understand what the market even looks like in that area.

You know, I understand the concern about

market power and cards up; this was just explained. But I think a lot more can be open to the public to inform the public and to inform participants in the market what's out there so that people on my side of the business can plan ahead and bring forth the opportunities for the state to get more supply, or to get more options that are going to help solve the problems of the state through a market structure.

So, only through information out there in the market in a competitive process that you're going to get that innovation and that competition that's going to bring down costs.

The other point I'd like to make, although we're only in the generation business there's been a lot of discussion about transmission here, is we really support that. We really do think that the transmission area does need a focus now and does need an emphasis on getting things actually built that are needed.

The problems that Detmers pointed out of the 17 congested areas and the multi hundreds of millions of dollars involved there, frankly leads to a delay in implementing a competitive market that is needed because of the more issues on

congestion and more issues and debates on transmission really delay getting to a focus of having a competitive market work. So I think getting the transmission issues resolved in a speedy manner will also help get to a market better in the generation area.

COMMISSIONER GEESMAN: Thank you, Ken. One of the things that I did want to note, we want to hold a workshop at some point in the spring on special transmission needs for developing the state's geothermal resources. And that's partially in response to a request that your company had made in the '04 cycle. So I wanted to let you know that we do intend to follow up on that with a separate workshop.

I think we have somebody over here. Yes, ma'am.

MS. LINDH: Good morning, Commissioners. I'm Karen Lindh and I'm here today on behalf of the California Manufacturers and Technology Association. And I just wanted to echo one theme since the issue of confidentiality has arisen.

And we would like to sort of throw one more parochial issue into the discussion on the confidentiality. And that is the definition of

market participant.

CMTA and its sister organizations, CLECA and SVMG, have been pretty much excluded from the debate on the utilities' long-term planning processes because of the fact that we are, quote, "market participants" because some of our members engage in direct access transactions.

So, separate from how much of this data is truly market-sensitive, we would like to see some further discussion of the whole notion of who constitutes a market participant. And if you have a direct access customer, does that, in fact, then taint you so that you are really not able to fully comply with the protective order and what that constitutes.

So we also have a lot of thoughts about the other issues that were raised today, but we will participate, as time goes by, and where appropriate make our concerns known.

Thank you.

COMMISSIONER GEESMAN: Thank you, Karen. Other comments at this point?

Okay, Kevin, what's next.

MR. BLUE: Can anybody on the phone comment?

COMMISSIONER GEESMAN: Yes.

MR. KENNEDY: Yes. That was exactly what I was about to ask. Is there anyone on the phone? Go ahead.

MR. BLUE: Hi. Can you all hear me?

MR. KENNEDY: Yes, we can.

MR. BLUE: My name is Greg Blue, B-l-u-e. I'm with Dynegy on behalf of West Coast Power. Good morning, Commissioner Geesman and Commissioner Boyd, and others. Is Paul Clanon still in the room?

COMMISSIONER GEESMAN: No, he's not, so feel free to say whatever you want.

MR. BLUE: Okay, well, my comments --

(Laughter.)

MR. BLUE: -- are going to go for him, as well; so hopefully somebody there can relay some of these comments to him.

First of all, I would like to -- West Coast Power applauds the efforts of the state agencies in regarding to integration, particularly integrating some of the policies and conclusions that are reached in one agency for another.

As you know, Commissioners, West Coast Power was a major participant in the '04 update to

the IEPR. And that every appearance, both orally and written, comment we urged this Commission to forward their policy conclusions on to the PUC for their deliberations and their processes.

And so it sounds like we're headed in the right direction, but we actually have an opportunity to start that policy integration now. And what I mean is in the long-term procurement proceeding West Coast Power filed a motion for official notification of this 2004 update report.

In the proposed decision that came out on Wednesday the ALJ approved that motion, but only for the limited purposes of other parties commenting on those policies.

What I would like to see, and I'm hoping that this message can be delivered to Paul Clanon, is that we would like to see the Commissions -- the PUC still has an opportunity to take this 2004 update and the conclusions and policies out of that, and still incorporate it into this decision.

I admit I've not read the complete 205 pages of this decision, however I don't see a lot of these policies that came out of this report included in this. And so I guess I would urge again this Commission to talk to your counterparts

at the PUC. And I believe we could start some of that integration now. And I think that would be helpful for the State of California.

Thank you.

COMMISSIONER GEESMAN: Thank you, Greg, that's a good point. And I'm sure that it's one that will be revisited at the December 7th meeting of the Energy Action Plan agencies.

MR. BLUE: I'll be there, as well.

COMMISSIONER GEESMAN: Good.

MR. KENNEDY: Okay, before asking whether anyone else on the phone wants to comment, I figure I might as well mention the call-in number if anyone's listening on the webcast and would like to switch over to call in so you can comment. It's 888-995-9728. The passcode is electricity. And the leader is Kevin Kennedy.

Is there anyone else currently on the phone that would like to comment at this stage?

Okay. We do have a second half of the workshop that we still need to get to, which will start with a staff presentation on trying to get in a bit more detail where we're going in terms of the data needs that we see. There may be an opportunity based on that presentation and

comments on that to actually revisit some of the comments we just heard. And there may be some opportunity for some constructive dialogue at this stage in terms of the types of information we're asking from different types of load-serving entities.

But I want to double-check with the Commissioners. My inclination would be to go ahead straight on to the presentations, okay?

David, are you all ready to go. David Vidaver will be starting off. Let me get his presentation up on the screen.

MR. VIDAVER: Good morning. I'll be presenting the first portion of this which will deal with the electricity supply and planning data that the Commission is requesting under the umbrella of the 2005 IEPR.

Mark Hesters will be following me discussing the transmission data, so I trust you will all save your abuse for him.

I've developed cordial relationships with the planning staff at a number of the state's LSEs over the years. It's a shame that all that will be thrown out of the window in the next hour or so.

This is going to be an overview of our data request. We're going to issue a white paper the week of the 29th, I believe, which all parties will have a chance to comment on ad nauseam. It will be followed by, I believe, formal forms and instructions about two weeks later. Again, stakeholders will have a chance to comment on those. So if there is -- this is somewhat vague, don't worry about it.

Quickly, the purpose of the IEPR analysis which in turn drives the data needs that we have are three: to inform the -- should be the CPUC long-term procurement proceeding next year, 2006. This means that the analysis that we're doing is being driven by the needs of our sister agency, and therefore much of the data that we're requesting is driven by the proposed decision that came out on Tuesday. We need to look at that decision again to sort of tweak our data requests.

I was somewhat relieved with Steve St. Marie's comments. I think we largely capture in our data requests the needs that he articulated. As Mike Jaske said, there are still some problems with cost. And we'll be talking to Steve about the data that the PUC needs related to costs that

we may not have fully captured in our request.

The Energy Commission is responsible for assessing the state's resource needs on a statewide basis, so we are going to be requesting data from municipal utilities, irrigation districts and energy service providers.

We hope to isolate the resource needs of all those LSEs in the future and compare those to existing unencumbered resources that the state has to, in turn, inform, at least on an aggregate level, entities like Calpine, what resources the state could use going forward.

Finally, the analysis we are going to do in the IEPR is going to improve staff's ability to evaluate reliability on the supply/demand balance on a statewide basis. And as such, we're going to be asking for generation, both historical and forecast data from selected classes of resources in order to more accurately evaluate their contribution to the state's capacity needs. So those will be the last six I will discuss.

With one exception the only -- one small exception, the only entities that we're going to be requesting data from are load-serving entities. We will not be requesting data from merchant

generators.

Different classes of LSEs are being asked to submit different amounts of data and different types of data. I hope that assuages the ESPs. They may be no more willing to submit data, knowing that they're submitting less of it than other load-serving entities, but one size won't be fitting all in terms of the data that we're requesting.

There are several reasons for asking for different amounts of data from different classes of LSEs. One of which, of course, is a more rigorous examination of resource plans that the IOUs undergo at the PUC. An examination to which municipal utilities and ESPs are not necessarily subjected.

There are different requirements imposed on different types of LSEs related to preferred resource targets and possibly resource adequacy requirements.

IOUs have the resources available to do more sophisticated forms of analysis. Staff feels that requiring large amounts of data from the other LSEs would be requesting data that they would not produce in the normal course of

business.

And finally, we have different amounts of data available from existing sources.

The core component of the data that we're requesting is a ten-year resource plan. It's actually an 11-year resource plan running from 2006 to 2016. And the major data elements of those plans are capacity resource accounting tables and energy balance tables.

Those of you who are involved in planning or have been involved in planning over the years know exactly what those are. They're spreadsheet-based accounting tables in which the LSE lists its load obligations in a rather detailed fashion, and its existing and expected supply resources in a rather detailed fashion.

The extent of detail that we're going to be requesting, as I implied a moment ago, will differ depending on the class of LSEs.

This is a graph which shows the capacity needs of a typical LSE. I'm going to return to it probably several times just for illustrative purposes.

At the bottom we see an 11-year timeline. Directly above that are the sets of

existing resources that LSE might have. Again, the types of resources will depend on the LSE. We begin at the bottom with utility-retained generation, bilateral contracts, QF contracts, DWR contracts, RPS capacity expected to be necessary to meet RPS energy obligations. We have demand response and uncommitted energy efficiency.

Those might be seen to be more appropriately -- the latter two might seem to be more appropriately placed on the load side, but we're putting them down here sort of to highlight the incremental need, or the next short, which is the space between the uncommitted energy efficiency and the reference load, or the one and two load forecasts that the LSE will present.

There's another blue line, which -- another green line, the bottom line, represents load of core and noncore. And it's just put here to highlight one of the major uncertainties that LSEs face going forward. And that is load obligations.

The fundamental task of the analysis that we're going to undertake is to characterize the net short and attempt to highlight what types of resources are going to be needed to meet it in

a least-cost fashion. And the impact of major uncertainties on the amount of resources that can be safely procured. And I will get into that in much more detail shortly.

The capacity resource and accounting tables and energy balance tables are expected to contain a substantial amount of detail regarding loads and existing resources. There are standard treatments of load committed demand side programs in energy efficiency in this accounting process. The LSEs who have been doing this know what those are. They'll be explained in detail in the forms and instructions.

Energy service providers are going to be asked to distinguish between customers they have under contract and the load of customers they have under contract in new and departing customers. The municipal utilities and IOUs can go forward with a great deal of confidence about the loads that they can be expected to serve. Or in the case of core/noncore are going to be asked to provide resource plans under core/noncore assumptions which reduce their load obligations.

We acknowledge the ESPs do not have that same certainty going forward. We have asked LSEs

to provide load forecasts. We would like them, in these tables, to distinguish between the loads that they are contracted to serve and expectations about changes in load for those customers. And, in turn, to present their forecast regarding loads that they currently do not serve, customers they currently do not serve, and the retirement of customers that they do serve.

Standard capacity accounting conventions for all physical and contractual resources are expected. Many of those are detailed in ALJ Cook's paper on resource adequacy issues that was released, I believe, in July.

Planners at the LSEs are more or less aware of those conventions using net dependable capacity; accounting for scheduled outages, but not forced outages, et cetera. Those will be in the forms and instructions and explained in much more detail in the white paper in about ten days.

We would like the IOUs to assume that all QF capacity will remain in service of IOU loads, more or less as a placeholder. We would also like the IOUs to assume that existing targets for preferred resources are met in the course of their reference plan.

I'll briefly discuss later a scenario in which the IOUs may present different estimates of preferred resources on the demand side; and to explain the risks associated with possibly not meeting existing targets, if they feel those risks are significant. I'll return to that.

We now get down to nonexisting resources, which are the resources, some of which are expected to be included in the resource plan as resources the utilities expect to develop or contract with in the future.

These would include things like Magnolia, Otay Mesa, Palomar; those facilities for which the load-serving entities have firm plans to develop or contract with. These would be included in the existing resources.

But we also have the resources that would be expected to meet residual load and reserve obligations at least cost. One thing that should be made clear is that we are not expecting load-serving entities to explain in detail exactly what resources, what technologies they are going to contract with or develop going forward. What we want is a description of the residual load and reserve obligations that would meet these

incremental -- that resources would meet at least cost. And I'll get to that in more detail on the next slide.

The IOUs and LADWP, SMUD and IID are requested to provide estimates of renewable resources that would be procured to meet the EAP-established target of 20 percent of retail sales by 2010.

There are several reasons for asking them to provide this detail, one of which is that it is requested for the IOUs in the proposed decision, or at least the last version of the proposed decision that I read.

The large municipal utilities have also, we think, conducted inquiries into what renewable resources are available to meet their load going forward. We would all be well served by estimates of the technologies and locations of these resources in order to do planning going forward.

We are not expecting this of the state's energy service providers, even though such a requirement has been imposed on them. It's staff's feeling that these energy service providers are not in a position to provide detailed information about the location of

renewable resources with which they might contract, the technologies of those resources, et cetera, once they decided to contract with them.

These are really the only resources for which we expect detailed characterization. We ask that the net shorts be described in terms of baseload, load following and peaking energy, load following and peaking capacity, and seasonal versus year-round energy and capacity needs.

This will allow staff to make estimates of the quantity and types of resources going forward in terms of the loads that they serve and the position of these resources in merit order.

There are numerous uncertainties facing load-serving entities going forward, not the least of which is their load obligations. We are proposing a strawman in the reference case for community choice aggregation. I believe it's going to be 2 percent of IOU load in 2006, increasing by three-quarters of a percent each year until it reaches about 8 percent at the end of the decade.

This, again, is something that is open to discussion. We realize that each of the IOUs faces perhaps different risks when it comes to

core/noncore. If one size does not fit all in this regard, we'd like to discuss that before the white paper goes out, or when the white paper is discussed at the next workshop.

We also realize that core/noncore presents major uncertainty with respect to procurement for the IOUs. We're going to propose a strawman of a 500 kW bundled core/noncore scenario beginning in 2009 with departure rates of 20 percent for the first three years and 15 percent for the fourth year. Again, we would like the feedback from the IOUs on this choice of core/noncore scenarios for them to analyze.

We fully expect that any preferred resource plan which contains a major transmission upgrade result in an analysis that both includes the upgrade and does not include the upgrade. This has been called for in the proposed decision that was put out on Tuesday.

We would like an analysis of the sensitivity of costs to natural gas and wholesale electricity price changes. We're going to ask for the IOUs to develop forecasts of 90 percent and 10 percent natural gas costs. It's up to the utilities to estimate the impact of that cost on

the wholesale electricity prices that they face. But we would expect that the relationship be one to be somewhere between 50 percent, I suppose; an elasticity of .5 offpeak and .9 onpeak. It's up to the utilities to do that analysis.

We would like sensitivity of costs to a carbon tax -- or a carbon dioxide tax. The strawman here is $8 CO2 per ton, I believe. And, again, that is subject to discussion, not only with those entities asked to provide data, but all stakeholders involved in this proceeding.

Finally, if the meeting preferred resource targets presents, in the minds of the IOUs, an uncertainty that they need to address, we ask that they do so. And any uncertainty facing any LSE that that LSE would like to address in a scenario format would be welcomed by staff. That can be presented at the next workshop, or it can merely be submitted early next year.

Commissioner Peevey acknowledged the importance of deliverability in an ACR that unfortunately came out just before the long-term resource plans were filed in July, preventing the IOUs from doing an assessment of deliverability that met anyone's desires.

The ISO is currently undertaking studies in the context of the resource adequacy proceeding to inform regulatory agencies regarding the possible impact of deliverability, both to aggregate load from resources in California; the ability to deliver energy over interties from outside California; and the ability to move energy into load pockets. And, please, Commissioner Geesman, don't ask me to define that.

(Laughter.)

MR. VIDAVER: It is the latter which is probably of most concern in the long-term resource planning. Unfortunately, staff doesn't have a complete understanding of the data that would be needed and could be provided in the near term to illuminate deliverability problems facing each of the IOUs.

We would ask that in advance of the next workshop that Commission Staff, the ISO and the IOUs and the PUC sit down and discuss what data can be provided by the utilities by April of next year to inform the 2006 long-term procurement proceeding.

And, finally I mentioned that staff has other data that it's requesting in this

proceeding. Bilateral contract information. This is not meant to include QF contracts, although I believe the next slide asks for QF data.

Bilateral contract information from energy service providers will enable us to quantify possible shifts in load obligations, and therefore the extent to which the capacity market might be utilized to handle load uncertainty going forward.

This information would enable us to ascertain, in many instances, what capacity is committed to serving California load. Capacity both in California and outside the state.

Down the road it will enable us to assess the impact of various resource adequacy requirements related to contractual agreements on the extent to which LSEs currently meet a resource adequacy requirement.

And in requesting this data from RPS contracts, it will provide insight regarding energy costs associated with renewable resources. The submittal of that data to the CEC would have to wait until the market price referent was done. It's my understanding that we're not allowed to look at any data related to RPS energy costs prior

to the market price referent being determined.

We would like the IOUs to provide us with historical hourly QF purchases going back two years, calendar years 2003 and 2004, to assess QF contribution to capacity during peak hours.

We would like it by contract. Contracts of less than 10 megawatts of capacity could be aggregated by technology. And we would like the IOUs to provide us projections regarding QF generation and costs going forward by contract to assess the potential impact of QF policy on both costs and capacity available.

We would like selected LSEs to provide us with historical hourly hydrogeneration data -- they all happen to be LSEs -- for 1998 to 2004. We have this data for hydro facilities located in the ISO-controlled area. We are presently constrained in its use. It is only to be used for some assessments mandated by Senate Bill 1305. We anticipate that subsequent discussions with the ISO will allow us to use it for other purposes.

By getting hourly hydro generation data from these remaining entities we will be able to more accurately assess hydro capacity at peak and hydro capacity at peak under various hydrology

conditions. We are asking this by facility in support of the Environmental Performance Report to assess the capacity value and performance of hydro facilities. We don't need it on a facility-wide basis. But the Environmental Performance Report is going to possibly entail a look at the peak energy contributions of selected hydro facilities.

We're also requesting hourly wind generation data. Most of this will come from the IOUs in the submittal of QF data. However, there remains a great deal of uncertainty regarding the contribution that new wind resources can make to the state's capacity needs.

Much of the assessment of the capacity value of wind in California that has been done has used data that includes generation by resources that are 15, 20, sometimes 25 years old.

Staff would like to isolate those facilities that are using state-of-the-art wind generation technologies in an effort to more accurately assess the contribution that these technologies can make to meeting the state reliability needs during peak hours.

So two things need to happen. The staff needs to be informed as to what facilities are

using those technologies. We ask for the cooperation of the California Wind Energy Association in gathering a list of those facilities that are using the most current technology.

And in the event that facilities are using a combination of old and new technologies, we would like to solicit from those projects hourly generation data related to the new part of their generation. This is the only bit of data that we're asking for that is not coming from an LSE.

We would like the reference case material, hydro, QF and bilateral contract information by March 1, 2005. We realize that the detailed analysis that we're requesting from some entities will cause a time crunch for them. We have our own time crunch. Staff has to complete its draft analysis by June or July, depending on which Commissioner you talk to. And we can wait another month or so for the analyses related to uncertainty, analyses related to the impact of core/noncore, higher gas prices, et cetera.

And I think we're now going to transmission. Thank you.

MR. HESTERS: Hi, my name's Mark Hesters. You've seen this slide, or at least something similar to it at least twice today. Essentially we need the transmission data because we've been required to create a statewide strategic grid plan.

We're developing the specifics of what that grid plan will look like, but at a minimum the plan will actually start by building on ISO grid planning results, submittals in this process and this record.

What we'll be requiring. The first part we'll be requiring is a description, doesn't have to be a very detailed description, but a description of the transmission planning process used by each LSE. When we say LSE for transmission data, we refer to LSEs that own transmission facilities. If you don't own any transmission facilities the transmission data part is pretty irrelevant.

On specific transmission projects we are looking at three-tiered approach based on the size of the projects. The first tier we're looking at is something less than $20 million. And the data submittal would look a lot like the monthly status

reports that the IOUs are filing at the PUC right now.

It's pretty straightforward; basically giving a project name; the reason for the project, which is often reliability or congestion. Or another one this time could be just access to renewables. Basically project cost; when it's needed or when it's expected to come online.

And one thing that we're asking for in addition to that is how the project is modeled in a load flow model, just so that we can build our own modeling capabilities.

The next stage of data is for projects between $20 million and $100 million. And that data looks a lot like the filings that are brought before the ISO Board for approval for projects over $20 million. They basically look like a three-page analysis that includes basically a couple paragraphs on the background for the project, why it's needed, what purpose it serves, what alternatives to the project have been considered, what assumptions were used in the studies to analyze the project, what the project benefits are, what the current status of the project is, and what any uncertainties are that

would affect the need for the project.

Probably the most frightening part of the data is the large projects over $100 million where we are requesting what I look at as a sort of full-blown analysis. We want an assessment of project benefits; we want to know what assumptions were built into that analysis.

Those assumptions would include load forecasts, fuel price forecasts, what projects were assumed online or offline. On from there. The assessment of the project benefits would include reliability benefits, congestion benefits, any strategic benefits that were incorporated into the study. How the project -- if the project was an increased access to renewables; how it did that. And then also a detailed analysis of alternatives.

So basically the first two sets of data we figure are pretty straightforward. They're produced in a lot of places anyway. We want to get them into the IEPR record so that we can build on them here. I imagine the third one's going to be a little more contentious.

I think that's it. We're hoping to get the data by March 1, 2004 -- or 2005, sorry. More

details of this will be sent out in the white paper that goes out on the week of the 29th.

MR. KENNEDY: Commissioners, do you have any questions or comments at this stage?

COMMISSIONER GEESMAN: I don't.

COMMISSIONER BOYD: Kevin, a comment mainly for our friends from Cal-ISO. I had meant to make this point with Jim speaking earlier. I got swept up in the enthusiasm of the morning.

One of the slides we just saw under transmission data said, quote, "the grid plan will build on the 2004 Cal-ISO annual grid planning results" et cetera, et cetera, et cetera.

And in two of Judy Grau's slides there is the statement, one under strategic electricity grid plan, "the plan will build upon the Cal-ISO". It's the same statement. And another slide, goals for transmission planning, "build upon the Cal-ISO annual grid planning results".

So, as I read these slides in advance of today's hearing, and being cognizant of there being concerns, I felt that this was a very strong statement that overlap, duplication and repetitive work was falling by the wayside. And I just want to reinforce that I see that here, and hopefully

that sets the stage for the staff's ability to continue to work with the ISO and the PUC on smoothing out the wrinkles that have been identified in the process.

But I just wanted to make that point, thank you.

MR. KENNEDY: Thank you. And I think I would add, as well, that some of what I have heard in terms of the staff paper that was put out ahead of this workshop that there was actually some confusion on exactly that point.

And do want to reiterate our intention to work closely with the ISO in terms of the work that's going on there, rather than attempting to duplicate work that's going on.

COMMISSIONER BOYD: Well, it was for that -- having heard the same, it was for that reason, reading the slides yesterday that I made special note of those. And I appreciate you pointing that out, as well.

MR. KENNEDY: Thank you. Does anyone in the audience have any comments or questions?

I will repeat the call-in number one more time, and then ask if there is anyone on the phone. The call-in number is 888-995-9728. The

passcode is electricity, and the call leader's name is Kevin Kennedy.

So if there's anyone listening on the webcast I'll sort of delay for a moment or two to see if anyone calls in. But first, is there anyone already on the phone who would like to make a comment?

MR. GALLOWAY: Yes, you have one comment on the phone.

MR. KENNEDY: Okay, go ahead.

MR. GALLOWAY: Hi, this is John Galloway from the Union of Concerned Scientists. Appreciate the opportunity to participate in the workshop today by phone. Sorry I couldn't be there in person.

I actually have a few comments and questions for Mr. Vidaver regarding data collection and analysis.

First, we are pleased to see that you'll be incorporating a valuation of carbon in your analysis. And would recommend maybe that you update the uncertainty scenarios discussion in the staff paper to reflect that. It looked, from reading that, like you're looking at load and price uncertainties. But that's certainly

appreciated.

And also pointing back to the proposed decision that came out on Tuesday at the PUC that adopts a range of $8 to $25 a ton for carbon risk analysis and procurement, I noticed that you said that that was sort of an initial proposal to look at $8 a ton. Would actually recommend looking at a range, and I'm sure the parties will get into more of a discussion about that as this process continues. So we, again, appreciate that.

My second, I guess, question is who is providing the gas forecast for this process? Is that all information that will be coming from the utilities as part of the data that's being collected?

Because we actually found during the procurement plan review process at the PUC, that just including a single gas forecast isn't adequate. So I'm wondering will the CEC be providing gas forecasting?

My next question has to do with the estimates of renewable resources. You had identified, in collecting data from the utilities, it wasn't clear if that was going to be in the projections, the specific resource types, or if

that would be sort of a generic categorization such as baseload, intermittent. In other words, are you going to get into specific resource types?

And then the final point I wanted to make about data collection following the Energy Action Plan loading order. I appreciate what I've heard here this morning about, particularly from Paul Clanon and from the Commissioners and others, the need to adhere to the EAP's loading order as part of this process.

My question then becomes how do you apply that same process to the municipal utilities and how do you get data that will inform whether the municipal utilities are following that process, as well. It's just, you know, I'm aware that other organizations that I've interacted with have had trouble either getting data or getting consistent data on programs such as energy efficiency from the municipal utilities.

And just a comment that the recommendation in the staff paper to review tracking and evaluation systems would be useful.

So with that I would like to, you know, like to open that up. If you could answer some of those questions that would be appreciated.

MR. VIDAVER: Thanks, John. Can you repeat those questions?

(Laughter.)

MR. VIDAVER: Okay, this --

MR. GALLOWAY: My first question had to do with --

MR. VIDAVER: No, no, I've got them, don't repeat those questions.

MR. GALLOWAY: Yeah, thank you.

MR. VIDAVER: The CEC is going to do the gas price forecasts. We're also requesting that the IOUs provide rather detailed gas price forecasts, including upper and lower bounds, percentile bounds. With an explanation as to the methodology that they've used. I imagine that they will use forward prices. In the absence of a methodology using forward prices, we would probably want to look very carefully at the methodology that they used.

I believe that the municipal utilities will be implicitly providing prices when they discuss the impact of changes in the natural gas price and concomitant changes in the wholesale electricity price on the costs of meeting their load obligations.

So I think what we're going to get from them is an assumed price, which I would expect would reflect their best guess of that price. I imagine we could ask them how they arrived at that price. The answers might be somewhat amusing. That's a joke, sorry, if anyone from CMUA is sitting here.

Actually they do a pretty good job, probably a better job of forecasting prices than most anybody else.

And I imagine that should the CEC price forecast differ dramatically from that submitted by the utilities; or the utilities' forecasts, themselves be dramatically different, that there will be some kind of refresh, some kind of direction from the Commission to handle those discrepancies.

Regarding renewable resource types, you'll be happy to hear that we're asking the IOUs and LADWP and SMUD to provide projections of renewable resources that they will or can procure to meet 20 percent retail sales target by 2010. Those resources we're asking to be described by technology, and by location, ISO zone or control area. So I hope that answers your second

question.

Regarding the loading order, as you no doubt recall, I said that the loading order for the IOUs we would assume, ask them to assume that those targets be met. If they felt that the possibility of their not being met was imposed in a substantial risk, they were welcome to discuss that in their submittals.

We have not asked municipal utilities to do more than embed energy efficiency and committed demand side management programs into their load forecast without asking them to break that out. I will be happy to discuss with CMUA and the representatives of the individual utilities as to whether or not that's possible for them to do.

And Dr. Jaske is approaching me very quickly, so I think he wants to elaborate upon my answer. Hang on.

DR. JASKE: Committed, energy efficiency, demand response and distributed generation that is included in the load forecast is also to be documented in actually considerable detail. That's part of the demand forms that were adopted by the Commission earlier this month.

MR. VIDAVER: Anything else, John?

MR. GALLOWAY: No, that's it. Thanks for the excellent presentations today.

MR. VIDAVER: Thank you.

MR. KENNEDY: One thing that I would add, as well, is that we do have a workshop planned -- I don't believe the notice is out yet -- for the natural gas modeling portion of the Energy Report proceeding.

That's scheduled for December 16th, and will be here in Hearing Room A in Sacramento at the Energy Commission Offices.

I should also point out that the natural gas staff here is also working on a westwide forecasting effort with the Western Interstate Energy Board. And one of the things that we're working on internally is making sure that the work that's being done for that westwide study and the work that's being done for the Energy Report proceeding ar going hand-in-hand and complementing each other as we move forward.

But we'll have much more detailed discussion of the natural gas forecasting in December.

COMMISSIONER GEESMAN: Kevin, we've got a December 21st workshop planned on forms and

instructions?

MR. KENNEDY: Yes. As a followup to this workshop, and the plan is again to have it here at the Energy Commission, Hearing Room A, starting at 9:00.

COMMISSIONER GEESMAN: I think that would be a reasonable time to expect to get a report back from our staff and the PUC Staff and the ISO Staff on their efforts to have ironed out these wrinkles that appear to exist between them.

I know that there was some discussion of taking 30 to 45 days to do that. But by my count that's 33 days, and I don't think the 12 days between December 21st and January 3rd are dates that they'd want to really spend on this subject, so.

MR. KENNEDY: That's probably true.

COMMISSIONER GEESMAN: Why don't we get a report back at that workshop.

MR. KENNEDY: We will include that most certainly as part of the agenda for that workshop.

Are there any other comments and commenters on the phone who would like to ask questions or make comments at this point?

Is there anyone else in the room who has

any final comments from the audience?

Commissioners.

COMMISSIONER GEESMAN: I thank everybody for your participation. We'll be adjourned.

MR. KENNEDY: Thank you.

(Whereupon, at 12:00 noon, the Committee Workshop was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Committee Workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said workshop, nor in any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of November, 2004.